

Message Text

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PAGE 01 ROME 13364 271828Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 AGR-20 L-03

H-03 PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-03

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FM AMEMBASSY ROME

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAGR, EEC, IT

SUBJECT: ITALY AND THE CAP

PASS AGRICULTURE

1. DURING DISCUSSION OF SEPTEMBER 17-20 EC AGMIN COUNCIL, MINISTRY FOREIGN AFFAIRS (MFA) REP CALAMIA (DIRECTOR, EC-GATT AFFAIRS) MADE SEVERAL POINTS TO EMBOFF WHICH ARE WORTH NOTING IN LIGHT OF CURRENT SITUATION RESULTING FROM FRG NONACCEPTANCE OF AGMINS DECISION ON AGRICULTURAL PRICES:

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A. BEEF/VEAL SECTOR IS SERIOUS PROBLEM FOR ITALY. ITALIAN PRICES

TOO LOW TO STIMULATE DOMESTIC PRODUCTION, WHICH IS CONSIDERED NECESSARY FOR BALANCE-OF-PAYMENTS REASONS. *49. &98 ;832098,5, EC MEASURES TO DATE INADEQUATE IN TERMS OF ITALY'S LONG-TERM NEEDS.

B. WINE SECTOR MEASURES ADOPTED BY AGMINS CONSIDERED A "GOOD SETTLEMENT" AND "ABSOLUTELY NECESSARY" BY GOI.

C. GOI HAS INTEREST IN CHEAPER SUGAR IMPORTS SINCE ITALY IS SUBSTANTIAL NET IMPORTER AND CANNOT HOPE MEET INTERNAL DEMAND FROM DOMESTIC SUGARBEET PRODUCTION. ITALY FINDS CONCEPT OF SUBSIDISED SUGAR IMPORTS UNSATISFACTORY BECAUSE OF BUDGETARY IMPACT.

D. EC CANNOT IGNORE INTERNATIONAL MARKET IN THE OPERATION OF THE CAP. THIS IS FACTOR WHICH MUST BE CONSIDERED IF CAP IS REVISED AND ONE WHICH WILL INFLUENCE GOI POSTURE TOWARDS ROLE OF AGRICULTURE IN MTN.

E. FOR SOME PRODUCTS OF INTEREST TO ITALY, SUCH AS TOBACCO, A MORE SATISFACTORY SYSTEM OF FINANCING STOCKS BY EC, RATHER THAN BY NATIONAL GOVERNMENTS, IS REQUIRED.

2. COMMENT. FRG IS NOT ONLY EC MEMBER COUNTRY WITH AN AX TO GRIND IN AGRICULTURAL SECTOR. IF FRG ACTION RESULTS IN COMPREHENSIVE "RETHINK" OF CAP, ITALY'S SPECIAL INTERESTS (SOME OF WHICH ARE NOTED ABOVE) WILL HAVE TO BE CONSIDERED WHEN CHANGES IN CAP ARE PROPOSED. AS CALAMIA NOTED, MULTIPLICITY AND DIVERSITY OF SPECIAL AGRICULTURAL INTERESTS OF MEMBER COUNTRIES ARE SUCH THAT COMPREHENSIVE RESTRUCTURING OF CAP APPEARS HIGHLY UNLIKELY. GOI TACTIC IS THEREFORE TO SIT BACK AND AWAIT DEVELOPMENTS, I.E., SEE WHAT SPECIFIC PROPOSALS FRG WILL MAKE, BEFORE DECIDING ON COURSE OF ACTION. BEAUDRY

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